

When Life Events Collide with the Cap Table – A Blog Post by David Goldenberg

Divorce, death, burnout, and unexpected life changes don't just affect people—they affect ownership. Most companies aren't structured for it. The result is often conflict, broken deals, and risk to the business that surfaces at the worst possible time. A few thoughts on preparing your company for life events of the owners.

Why this matters now

Cap tables are built for growth—not for life.

At formation, equity is allocated based on contribution, optimism, and a rough sense of fairness. What's rarely built in is a clear plan for what happens when a founder gets divorced, wants out, becomes disabled, or simply loses interest.

These aren't edge cases. They are predictable events over the life of a company. And when they collide with ownership, they tend to surface at the worst possible moment—during a financing, a sale process, or a period of operational stress.

How these issues actually show up

In practice, life-event-driven equity problems tend to fall into a few recurring patterns:

1. Divorce meets equity restrictions

A founder's equity becomes subject to division, but transfer restrictions, repurchase rights, or company approvals don't align cleanly with family law realities. The result is tension between personal obligations and company control.

2. Death or disability without a plan

Equity passes to heirs who were never part of the business—and may have very different incentives. Without a clear buy-sell framework, companies are left negotiating under pressure.

3. Burnout or silent disengagement

A founder or early stakeholder is no longer contributing but still holds meaningful equity. The issue is often ignored until it becomes a gating problem in a financing or acquisition.

4. Early promises that don't age well

Informal understandings—about vesting, roles, or future participation—break down years later when the stakes are materially higher.

Where companies go wrong

Most of these situations are not legally complex—they're structurally neglected.

Common mistakes include:

- Relying on generic documents that don't address real-world scenarios
- Deferring difficult conversations until a triggering event forces action
- Treating the issue as purely legal rather than economic and relational

The real cost isn't just friction—it's lost leverage. These issues frequently emerge during diligence, where they can delay or derail a transaction entirely.

What thoughtful planning looks like

Well-structured companies don't eliminate life events—they prepare for them.

That typically includes:

- Clear buy-sell mechanics tied to specific triggers
- Defined valuation approaches to reduce future disputes
- Alignment between equity terms and personal planning (estate, divorce considerations)
- Regular cap table "maintenance" as the company evolves

Just as important as setting these mechanisms up is revisiting these structures over time. What worked at formation rarely holds up five or ten years later.

Final thought

Life events are inevitable. Cap table problems don't have to be.